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International trade and development

Report of the Secretary-General*

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* The present report was submitted on this date so that the necessary updated information encompassing the latest developments in the multilateral trading system could be reflected herein.

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I. Introduction

1. The present report was prepared in accordance with General Assembly resolution 55/182 of 20 December 2000, in which the Assembly requested the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development (UNCTAD), to report to it at its fifty-sixth session on developments in the multilateral trading system as well as on other issues raised in that resolution. The reports of the Trade and Development Board, as well as other reports prepared by UNCTAD and submitted to the Assembly at this session, provide additional information on the action taken by UNCTAD.

II. Developments in the multilateral trading system

Preparations by Governments for the Fourth Ministerial Conference of the World Trade Organization

2. On 8 February 2001, members of the World Trade Organization accepted the offer by Qatar to host its Fourth Ministerial Conference, to be held from 9 to 13 November 2001, and provided the Chairman of the General Council, in cooperation with the Director-General, with a mandate to begin consultations on organizational and substantive matters related to the preparatory process for this Conference.

3. On 24 July 2001, the Chairman of the General Council in cooperation with the Director-General submitted a report on the current state of preparatory work for the Fourth Ministerial Conference of the World Trade Organization.[1] The report aims at providing an occasion for a "reality check" on 20 specific issues, including: implementation, agriculture, services, trade-related aspects of intellectual property rights (TRIPs), relationship between trade and investment, interaction between trade and competition policy, transparency in government procurement, trade facilitation, market access negotiations for non-agricultural products, trade and environment, anti-dumping, subsidies, dispute settlement understanding, electronic commerce, regional trade agreements, special and differential treatment, small economies, trade and debt, trade and finance, and trade and technology transfer. Until the end of August 2001, there was no further official information on progress made in the process of formulating the agenda for the Fourth World Trade Organization Ministerial Conference.

4. The Meeting of African Trade Ministers at Libreville, Gabon (13-15 November 2000), in its final communiqué, reaffirmed the position of African countries, which identifies development issues as the key challenge to be addressed by the multilateral trading system. It was emphasized that future multilateral negotiations should be suitably prepared, and take into account the development dimension and include the following main elements:

- Structural adjustments requiring developed economies to reduce a range of protection and support measures to inefficient industries;
- A balanced and broad agenda accommodating the concerns and interests of all African countries;
- Addressing the implementation issues, in particular the commitments in favour of developing countries;
- Addressing imbalances arising from the Uruguay Round of Multilateral Trade Negotiations Agreements;
- Taking into account the trade and finance needs of developing countries.

5. At the meeting of the Organisation for Economic Cooperation and Development (OECD) Council at Ministerial level (Paris, 16 and 17 May 2001), OECD members committed themselves to launching a new global round of multilateral trade negotiations at the World Trade Organization Ministerial Conference in Doha, Qatar, in November 2001. The ministers recognized that efforts to strengthen the multilateral trading system required both broad-based and balanced negotiations and the strengthening of the World Trade Organization as a rules-based institution. It was also emphasized that all World Trade Organization members would have to find their concerns and interests reflected in the final result, and negotiations would need to be conducted in a transparent manner. Regarding concerns of developing countries, the OECD ministers noted that a new round was essential for developing countries, given the need to stimulate their economic growth, alleviate poverty and promote their integration into the multilateral trading system. In this

context, they urged all World Trade Organization members to seek ways to address developing-country requests and concerns, and to build confidence as preparations for Doha proceeded.

6. The eleventh G-15 Summit of developing countries (Jakarta, Indonesia, 25-31 May 2001) called for greater inclusiveness, internal transparency and effective participation of all members in the decision-making process in the World Trade Organization in order to accommodate the legitimate requirements and priorities of developing countries (final communiqué, para. 17). The Summit also urged developed countries to demonstrate their true commitment to free trade by promoting substantial liberalization in agriculture and textiles and in other sectors and modes of supply of services of export interest to developing countries (para. 18).

7. A Meeting of the Ministers Responsible for Trade of the Least Developed Countries (see draft Zanzibar Declaration), held in Zanzibar, United Republic of Tanzania, 22-24 July 2001, called upon the Fourth World Trade Organization Ministerial Conference to agree on:

- Binding commitment on duty-free and quota-free market access for all products from least developed countries on a secure, long-term and predictable basis with realistic and flexible Rules of Origin to match the industrial capacity of the least developed countries;
- Full implementation of the commitments made in the Marrakesh Declaration and the Ministerial Decision in Favour of Least Developed Countries and the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed Countries and Net Food-Importing Developing Countries;
- Binding and full implementation of the provisions of Special and Differential treatment, including adoption of new Special and Differential measures to take into account problems encountered by least developed countries in implementation;
- Full implementation of the commitments undertaken at the Third United Nations Conference on the Least Developed Countries, particularly mainstreaming commitment five of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (A/CONF.191/11) into the World Trade Organization work programme and the full implementation of the Integrated Framework;
- Facilitating the accession of least developed countries into the World Trade Organization with a more streamlined process of accession, under terms consistent with their development, financial and trade needs and commitments not higher than those undertaken by least developed countries World Trade Organization members, including transitional periods mandated by World Trade Organization Agreements starting from the date of accession;
- Reaffirming the right to apply the Agreement on Trade-Related Aspects of Intellectual Property Rights in a way that allows member countries to have easy access to medicines to combat human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), tuberculosis, malaria and other killer diseases;
- Further reaffirming that the Agreement on Trade-Related Aspects of Intellectual Property Rights is not to be interpreted in a manner that endangers food security;
- Putting technology issues in the work programme of the World Trade Organization as a priority with a view to implementing in full relevant provisions on transfer of technology before the Fifth World Trade Organization Ministerial Conference;
- Ensuring that, in view of the least developed countries' limited capacity to negotiate and undertake further commitments, the scope of the future World Trade Organization work programme is manageable and agreed by all members by consensus, and that any future negotiations are based on an agenda accommodating least developed countries' interests.

UNCTAD activities

8. Immediately after the Seattle Ministerial Conference, World Trade Organization Members started a series of consultations and negotiations to reach common understanding on some issues that had

generated divergences before and during the Third Ministerial Conference. These included implementation issues, and market access conditions for least developed countries. At the same time, the mandated negotiations on agriculture and services were launched. These consultations and negotiations have placed increased demand on the capacity of developing countries to effectively participate in the World Trade Organization as they endeavour to articulate precise trade negotiation objectives for the subjects that are being considered. In support of these efforts, and in line with the Plan of Action adopted by UNCTAD at its tenth session (TD/390, part II), UNCTAD has been assisting developing countries, through its "positive agenda" programme, in their preparations for the ongoing as well as possible future multilateral negotiations. Upon request by Governments, UNCTAD, often in cooperation with other international and regional organizations, has prepared technical reports, organized workshops and conducted technical missions in developing countries, including least developed countries. Support to regional, subregional and national preparatory meetings has also been undertaken upon request from developing countries. In addition, UNCTAD provides information and analysis to trade negotiators from developing countries based in Geneva.

9. In implementing the mandates of the tenth session of UNCTAD, the secretariat continues to actively assist developing countries in understanding the key trade and development-related issues in multilateral trade by supporting their capacity-building process and providing a forum for exchange of views and information. To this end, a series of expert meetings have been organized. These include:

- An expert meeting on the construction services sector and its contribution to the development of developing countries, which was held from 23 to 27 October 2000;[2]
- An expert meeting on systems and national experiences for protecting traditional knowledge, innovations and practices, held from 30 October to 1 November 2000;[3]
- An expert meeting on impact of anti-dumping and countervailing actions, held from 4 to 6 December 2000;[4]
- An ad hoc expert group meeting of the Secretary-General of UNCTAD on issues and problems arising from the integration of countries into the multilateral trading system, held on 9 and10 April 2001;
- A second meeting of the Intergovernmental Group of Experts on Competition Law and Policy, held from 2 to 4 July 2001;
- An expert meeting on ways to enhance the capacities of developing countries for the production and export of agriculture and food products, including niche products, such as environmentally preferable products, held from 16 to 18 July 2001;[5]
- An expert meeting on energy services in international trade: development implications, held from 23 to 25 July 2001;[6]
- An expert meeting on consumer interests, competitiveness, competition and development, to be held from 17 to 19 October 2001.[7]

Work in the World Trade Organization

Negotiations on agriculture

10. World Trade Organization negotiations on the continuation of the agricultural reform process started in March 2000, on the basis of article 20 of the Agreement on Agriculture.[8] During the first phase of the negotiations, which was completed in March 2001, a total of 45 proposals were submitted. They cover all aspects of the Agreement on Agriculture, plus some "new" issues which include possible rules or guidelines on State trading enterprises and consumer concerns on food safety. Some proposals suggest actual modalities for further liberalizing agricultural trade in terms of the three pillars of the Agreement on Agriculture, namely, market access, domestic support and export competition policies. Other proposals focus more on the general scope of the future reform programme. The second (negotiating) phase started in May 2001. The process of negotiations consist of "informal" meetings for substantive discussions by topic and "formal" meetings as special sessions under the Committee on Agriculture to which the results of informal meetings are reported. A progress review will take place in March 2002.

11. An interesting feature of the first phase of negotiations has been the active and substantive participation of developing countries. Nearly all

developing-country members of the World Trade Organization submitted their proposals either independently or jointly with other World Trade Organization members. Those proposals reveal diversity in negotiating positions, but also suggest some common areas of interest among them. One such area entails a provision of greater flexibility in the Agreement on Agriculture rules for developing countries as special and differential (S&D) treatment. The need for strengthening the S&D provisions has been widely acknowledged in the ongoing negotiations.

12. Another common area of interest for developing countries is the need for a meaningful liberalization in the agricultural sector in developed countries. While there has been an increase in South-South agricultural trade, developed countries continue to be the major destination of agricultural exports from developing countries. Various proposals by developing countries call for substantive liberalization by developed countries in terms of tariff reductions, setting of limits to all types of domestic support measures and immediate elimination of export subsidies. Developing countries believe that, while many of them have unilaterally undergone extensive trade liberalization and deregulation in the agricultural sector, this sector in developed countries remains highly distorted and protected. They refer specifically to export subsidies and domestic support measures where imbalances are prevalent. Some proposals by developing countries, like the one on the creation of a "Development box" (W/13),[9] suggest that developing countries should be allowed flexibility in implementing rules, which may include those on import controls, tariff barriers and domestic support, if such rules are to have an effect on their pursuit of development objectives such as food security and poverty alleviation. Some other World Trade Organization members have criticized this approach as a step backwards in the continuation of the reform process.

13. However, there is a divergence in developing countries views on the possible scope of the S&D provisions, with respect to whether they should accommodate country-specific problems and differing levels of economic development. Up to now, the S&D treatment has been non-discriminatory among all non-least developed developing countries.[10] Proposals submitted by some developing countries suggest that, for the S&D provisions to be effective, they should be able to reflect problems in agricultural production and commercialization that are specific to certain types of countries, such as small island or landlocked developing economies and large agrarian developing economies. Indeed, some developing countries with high dependency on exports of a few commodities under preferential market access raised concerns over a possible adverse effect of multilateral trade liberalization upon their exports in the short-to-medium-term, and suggest that technical and financial assistance need to be provided to help those countries adjust their production and trade patterns.

14. Pursuant to the decision taken at the General Council in December 2000, the Committee on Agriculture has been examining the implementation of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries.[8] Discussions have been held on issues that include: the establishment of a food security fund, improved provision of food aid, and technical and financial assistance for improving agricultural productivity and infrastructure. It is expected that informal consultations on these issues will continue.

Negotiations on services

15. The first stage of negotiations on services was also completed in March 2001, when the Council for Trade in Services adopted *Guidelines and Procedures for the Negotiations on Trade in Services* (S/L/93) for the second phase. During the first stage, more than 80 proposals were submitted, most of them by the developed countries. Some developing countries, developing-country groups and developing areas have also been active, for example, the Andean Community, Brazil, Chile (six sectors), Colombia, Hong Kong Special Administrative Region (SAR) of China, India and the Southern Cone Common Market (MERCOSUR) (two sectors). Colombia, Mexico, Venezuela, and the Dominican Republic with several other Latin American countries made proposals in 10 sectors in total and on 3 cross-cutting issues.

16. In connection with the implementation of the General Agreement on Trade in Services, article IV, there have been a few proposals that address the special needs of developing countries, albeit to a limited extent. One suggestion, for example, is to grant periods of transition for developing countries while aiming for the same level of market access and national

treatment commitments as in developed countries. Another proposal suggests linking capacity-building programmes to trade liberalization of services in developing countries.

17. Among other issues,[11] developing countries have emphasized the rule-making work and the need for disciplines and agreement on the Emergency Safeguard Measures in the context of the mandated negotiations under the General Agreement on Trade in Services, article X. As a result, in the area of rule-making, discussions have mainly focused on negotiations on safeguards. The *Guidelines* set 15 March 2002 as the deadline for completing these negotiations. So far, negotiations have mainly been conducted along the lines of the draft proposed agreement by the Association of South-East Asian Nations (ASEAN) group. Lately, however, discussions have been influenced by new contributions, notably from Japan and Canada, and also by a joint communication from Chile, Costa Rica and Switzerland.

18. Of particular concern to developing countries could be the negotiations on energy services, which are addressing the traditional upstream services (for example, exploration, extraction etc.), issues of transmission, distribution of energy and those new services, particularly the trading in energy services, that have emerged from the deregulation of energy in many countries. Proposals have been submitted by the United States of America, the European Union (EU), Canada, Norway, Chile and Venezuela.

19. On the temporary movement of natural persons, there have been proposals by India, Japan, the United States, the Economic Commission for Europe (ECE) and Canada, most of which focus on improving transparency and predictability in administrative procedures. India has submitted a proposal for the negotiation of commitments at the subsectoral level on the movement of natural persons (Mode 4) based on International Labour Organization (ILO) categories of occupations and reducing the scope of economic needs tests. A number of sectoral proposals also identify some aspects of Mode 4, including seeking commitments for the movement of contractual service suppliers and identifying specific categories of persons relevant to the supply of services in those sectors. Among other specific areas of interest to developing countries so far identified are professional services and the issue of recognition of qualifications, construction, tourism, distribution, air transport and energy services.

Implementation of World Trade Organization Agreements

20. In respect of implementation, the special session of the World Trade Organization General Council adopted a programme on 3 May 2000, and has held since a number of rounds, discussing the existing proposals. The work has focused on paragraphs 21 and 22 of the draft Ministerial Text of 19 October 1999. In many cases, the World Trade Organization General Council has transferred the substantive implementation problems to subsidiary bodies, for discussion of possible improvements of unclear provisions, criteria or "best endeavour measures".

21. Implementation has become a crucial element in the preparations for the Doha Ministerial Conference. Some developing countries have made implementation a prerequisite of their agreement to enter into a new round of multilateral trade negotiations. Developed countries have generally adopted the position that most of the proposals for implementation would involve changes in the text of the multilateral trade agreements (MTAs) and in their national legislation and thus could be contemplated only in the context of a broader negotiating package. In June 2001, a group of developed and developing countries circulated a paper[12] aimed at obtaining a compromise solution by identifying issues on which early agreement could be reached. These included issues that had been solved or clarified or that appeared relatively less urgent, those referred to subsidiary bodies for action, and other pending issues.

Trade-related investment measures (TRIMs)

22. On 8 May 2000, the World Trade Organization General Council decided to invite the Chairman of the Council for Trade in Goods to conduct consultations with a view to finding solutions to the requests made by a number of developing countries, under article 5, paragraph 3 of the Agreement on Trade-Related Investment Measures, for extension of the transitional period for their notified trade-related investment measures (TRIMs).

23. After 14 months of consultations, the Council for Trade in Goods decided on 31 July 2001 to extend the TRIMs notified under article 5, paragraph 1, of the Agreement on Trade-Related Investment Measures by eight countries for a period of 2 years (retroactively from 1 January 2000, in other words until 31 December

2001), with another extension of a maximum of 2 years as might be requested by them and subject to certain criteria (such as the submission of a phase-out plan for the TRIMs).[13] It was also agreed to "continue to give positive consideration to difficulties developing country members might face in the future and to provide equitable treatment as provided for in the World Trade Organization Agreements".[14]

24. On 31 May 2001, the WTO Council for Trade in Goods requested a joint World Trade Organization/ UNCTAD study on TRIMs. The study will be conducted in the context of article 9 of the Agreement on Trade-Related Investment Measures.[15]

Interaction between trade and competition policy

25. The Working Group on the Interaction between Trade and Competition Policy continued its work pursuant to the Singapore Ministerial Declaration. Discussions focused on: (a) the relevance of the fundamental World Trade Organization principles of national treatment, transparency, and most-favoured-nation treatment to competition policy and vice versa; (b) approaches to promoting cooperation and communication among members, inter alia, in the field of technical cooperation; and (c) the contribution of competition policy to achieving the objectives of the World Trade Organization, including the promotion of international trade.

26. During the discussions, some developing countries expressed concerns about the general impact of implementing competition policies on their national economies, and the implications for development policies and programmes of a multilateral framework on competition policy.

Status of World Trade Organization accessions

27. Among the 14 countries that have acceded to the World Trade Organization since the entry into force of the World Trade Organization Agreement on 1 January 1995, 10 of them fall into the category of economies in transition (6 of them are former Soviet republics). At present, there are still 30 countries in the process of accession to the World Trade Organization, of which 9 are least developed countries (Bhutan, Cambodia, Cape Verde, the Lao People's Democratic Republic, Nepal, Samoa, the Sudan, Yemen and Vanuatu).

28. After more than 14 years of negotiations, the Working Party on the Accession of China to the World Trade Organization/General Agreement on Tariffs and Trade (GATT) was able to conclude its work on almost all elements. At the meeting on 20 July 2001, the Working Party agreed on the final texts of the draft Working Party Report and the draft Protocol of Accession, including newly revised and updated annexes. The schedules of China's commitments for both goods and services have been circulated for technical verification by China and World Trade Organization members in accordance with normal accession procedures. The Working Party agreed to meet again in a final session in the middle of September to accomplish its work. It is expected that the terms of China's accession to the World Trade Organization will be adopted by the ministers at Doha during the Fourth World Trade Organization Ministerial Conference in November.[16]

29. In the process of their accession to the World Trade Organization, least developed countries face the same problems as other developing countries. However, as indicated in the Programme of Action for the Least Developed Countries for the Decade 2001-2010, there is a need for clear and objective rules and disciplines for accession negotiations, with a view to ensuring that the accession process is not excessively costly for the least developed countries and that the accession terms would reflect their levels of development, and most importantly, their ability to implement their obligations. Following the recommendations of a Coordinating Workshop for Senior Advisers to Ministers of Trade in Least Developed Countries, organized by UNCTAD and the United Nations Development Programme (UNDP) at Sun City, South Africa, in June 1999, the least developed countries have submitted to the General Council of the World Trade Organization a proposal on procedures for their World Trade Organization accessions.

World Trade Organization dispute settlement system

30. The dispute settlement mechanism is an important part of the rule-based multilateral trading system embodied in the World Trade Organization. As of 13

July 2001, more than 230 complaints (involving 180 distinct matters) have been brought to the World Trade Organization, and nearly one third of them are by developing countries. The World Trade Organization's Dispute Settlement Body has adopted panel and/or Appellate Body reports in 65 disputes. The number of reports has increased dramatically compared with dispute settlement under the GATT. These reports have covered a wide range of World Trade Organization agreements, which were the subject of findings and conclusions by both the panel and the Appellate Body.

31. While some members believe that World Trade Organization panel and Appellate Body findings/rulings establish important precedents (particularly in the areas of textiles, anti-dumping and safeguards),[17] others are of the view that the results of World Trade Organization dispute settlement cases impose new obligations on members or limit inappropriately the discretion of member government policy-making (for example, in the areas of balance-of-payments (BOP), TRIMs, TRIPs and subsidies).[18]

UNCTAD's work on dispute settlement

32. The Programme on Dispute Settlement in International Trade, Investment and Intellectual Property aims to build a permanent capacity in developing countries, in particular the least developed countries, and countries with economies in transition for dispute settlement in international trade, investment and intellectual property through training and advisory services. The training component of the Programme supplements UNCTAD's existing capacity-building activities in the fields of commercial diplomacy, maritime transport and ports, investment agreements, international trade, enterprise management and competition policy. A handbook on dispute settlement in international trade, investment and intellectual property, which will be the basic tool for training under the Programme, is under preparation.

Anti-dumping, countervailing and safeguard measures

33. Anti-dumping, countervailing and safeguard measures are the most frequently used contingency protection trade measures. In 2000, there were more than 250 anti-dumping investigations initiated.[19] While the number is lower than the record level of 1999, it is notable that this has been the second highest number of anti-dumping investigations initiated since the World Trade Organization Agreement entered into force in 1995. The major users included both traditional users: United States (46), EU (31), Canada (21) and Australia (15); and non-traditional users: Argentina (36), India (35), South Africa (20) and Brazil (11). The principal targets were: China (33), EU including its individual members (30), the Republic of Korea (19), Taiwan Province of China (14), Indonesia (11), India (10), Thailand (10), Japan (9), the Russian Federation (9) and the United States (9). The main sectors affected were: steel products (38 per cent), chemicals (28 per cent), machinery (14 per cent) and textiles and clothing (7 per cent). Despite fluctuations in the initiations of anti-dumping cases year by year, it should be noted that use of anti-dumping measures remains on an upward trend in both developed and developing countries.

34. The countervailing duty investigations initiated in 2000 were fewer than in the previous year, mostly because EU had not initiated any countervailing duty investigations in 2000. There were only 16 cases initiated in 2000, mainly by the United States (7), South Africa (5) and Canada (3), and targeted principally at India (6) and Argentina (3). Most of these cases were against steel products. It is worth noting that the majority of countervailing duty cases in 2000 were initiated in parallel with anti-dumping investigations. One of the main reasons for the fewer countervailing duty cases is that anti-dumping actions are perceived as being "easier" to introduce, as they do not call into question the exporting countries' government policies.[20] The year 2000 saw an increase in safeguard investigations. Particularly targeted by safeguard measures were animal meat products, foodstuffs and chemicals.[21]

III. Other issues arising from General Assembly resolution 55/182

Least developed countries

35. In its resolution 52/187 of 18 December 1997, the General Assembly decided to convene the Third United Nations Conference on the Least Developed Countries in the first quarter of the year 2001. The Assembly designated UNCTAD as the focal point for the preparations of the Conference and the Secretary-

General of UNCTAD as Secretary-General of the Conference.

36. The preparatory process for the Third United Nations Conference on the Least Developed Countries was undertaken at country, regional and global levels. At the country level, 46 least developed countries formulated and submitted their national programmes of action to the Intergovernmental Preparatory Committee for the Conference and to the Conference itself (A/CONF.191/CP/1-46). The Conference secretariat and the relevant regional commissions organized three regional-level preparatory meetings. Three expert level preparatory meetings were held. Two meetings of the Consultative Forum on the preparatory process for the Conference were organized. The Intergovernmental Preparatory Committee for the Conference, which considered the substantive and organizational aspects of the preparatory process for the Conference and formulated the draft Programme of Action for the Least Developed Countries for the Decade 2001-2010, held three sessions in New York. In order to ensure the full mobilization and coordination of all organs, organizations and bodies of the United Nations system, four inter-agency consultations were organized.

37. The Conference met from 14 to 20 May 2001 and adopted the Brussels Declaration (A/CONF.191/12) and the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (A/CONF.191/11). In accordance with General Assembly resolution 55/214 of 20 December 2000, the UNCTAD secretariat has prepared the report of the Secretary-General on the outcome of the Third United Nations Conference on the Least Developed Countries (A/56/297) for submission to the Assembly at its current session.

Improved market access

38. Major trading partners at the Third United Nations Conference on the Least Developed Countries undertook initiatives to improve market access conditions for least developed countries. The special treatment granted to least developed beneficiaries under the European Commission (EC) scheme "Everything But Arms" (EBA) proposal entered into effect on 5 March 2001.[22] It was adopted as an amendment to the existing Generalized System of Preferences (GSP) scheme which extends duty-quota-free access to all products originating in least developed countries, except for arms and ammunitions falling within the Harmonized Commodity Description and Coding System (HS), chapter 93. The EBA coverage now includes all agricultural products, by adding such sensitive products as beef and other meat; dairy products; fruit and vegetables; processed fruit and vegetables; maize and other cereals; starch; oils; processed sugar products; cocoa products; pasta; and alcoholic beverages. Although the three most sensitive agricultural products, namely, bananas, rice and sugar, under EBA are not subject to immediate liberalization, EBA still represents the most generous market access ever given to least developed countries exports.

39. Development partners at the Third United Nations Conference on the Least Developed Countries committed themselves to improving preferential market access for least developed countries by working towards the objective of duty-free and quota-free market access for all least developed countries products (Programme of Action, para. 68 (h)); lowering tariffs/duties on least developed countries products to their markets (including Japan, the Republic of Korea, Morocco, Poland, Switzerland and Turkey); providing assistance to least developed countries in developing infrastructure to ensure quality control and conformity to international standards of their products (para. 68 (q)); and avoiding taking unilateral actions in a manner inconsistent with the Agreement on the Application of Sanitary and Phytosanitary Measures of the World Trade Organization (para. 68 (r)). In addition, EU announced a multilateral initiative to forgo the use of anti-dumping measures in relation to least developed countries.

40. Other market access initiatives taken for least developed countries include the authorization in May 2000 by the United States of the African Growth and Opportunity Act (AGOA) for sub-Saharan African countries. AGOA amends the current GSP programme of the United States, which contains several limitations in terms of product coverage, so as to provide duty-free treatment for a wider range of products (certain textile and apparel articles that were previously excluded as they had been considered import-sensitive). The "AGOA-enhanced" GSP benefits will provide additional security for investors and traders in qualifying African countries. The President has designated as beneficiaries 35 of the 48 sub-Saharan African countries (including developing and least developed countries).

41. Trade preferences including GSP schemes continue to play an important role for exporting developing countries. In addition to the modification of GSP schemes in favour of least developed countries reviewed above, the GSP and preferential schemes of other countries have also been modified, as described below.

42. In June 2000, the Cotonou Partnership Agreement between the African, Caribbean and Pacific States (ACP) and EU was signed, replacing the previous Lomé Convention[23] that had expired on 29 February 2000. The new agreement is expected to carry out a gradual integration of the ACP countries into the World Trade Organization legal system. The ACP-EU agreement has targeted full conformity with the World Trade Organization rules, and the parties agreed that they would negotiate and conclude a new World Trade Organization-compliant trading arrangement by 2008.

43. Under the United States GSP scheme, duty-free access to all GSP eligible products is applied to all beneficiary countries. It is important to note that the United States GSP scheme will expire in September 2001 and it is not certain when the scheme will be renewed; the Canadian GSP scheme has been renewed twice since it was introduced on 1 July 1974. It was last renewed in 1994 until 2004; the EU GSP scheme is implemented over a 10-year cycle. The current scheme began in 1995 and will expire in 2004. In June 2001, the European Commission adopted a proposal for revising the Commission GSP for the years 2002-2004; in December 2000, Japan reviewed its GSP scheme for an additional ten-year period. As of 1 April 2001, the revised scheme also introduced an additional list of industrial products originating in least developed country beneficiaries that are granted duty/quota-free entry.

Landlocked countries

44. Two negotiating meetings on a draft Transit Traffic Framework Agreement between China, Mongolia and the Russian Federation, held in May 2000 and January 2001, were serviced by the UNCTAD secretariat. A third meeting is scheduled to be held in late 2001.

45. A report entitled "Transit environment in the landlocked States of Central Asia and their transit neighbours" (A/55/331, annex) was prepared by UNCTAD and submitted to the fifty-fifth session of the General Assembly in 2000. The Assembly requested the Secretary-General of UNCTAD to submit another report to the Assembly in 2003. The fifth meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions was held in New York from 30 July to 3 August 2001. The report of the meeting is being submitted to the Assembly at its current session in 2001 through the Trade and Development Board. UNCTAD has also provided assistance to Zambia and the United Republic of Tanzania in their efforts to establish a Road Traffic Information System (RTIS), which is an important element of the Southern African Development Community (SADC) programme to improve transit transport systems in southern Africa.

46. In accordance with General Assembly resolution 54/199, the UNCTAD secretariat has prepared a progress report on the specific actions related to the particular needs and problems of landlocked developing countries (see A/56/427) for submission to the current session of the Assembly through the Trade and Development Board (forty-eighth session, 1-12 October 2001).

Small island developing States

47. In accordance with paragraph 16 of General Assembly resolution 55/182, UNCTAD intensified during the 2000-2001 biennium its support to the implementation of the Programme of Action for the Sustainable Development of Small Island Developing States.[24] In particular, UNCTAD carried out the activities described below.

48. UNCTAD undertook an analysis of economic vulnerability (through the preparation of vulnerability profiles of four least developed small island developing States that have been near the threshold of graduation from least developed country status, namely, Cape Verde, Maldives, Samoa and Vanuatu).

49. UNCTAD undertook initiation and coordination of activities: to reduce the economic handicaps of small island developing States through trade efficiency projects; to enhance the economic specialization of small island developing States (through policy advice on new trading opportunities and investment, and research and technical assistance on economic sectors

of particular interest to small island developing States); and to increase the economic opportunities offered by the multilateral trade framework. In accordance with paragraph 133 of the Bangkok Plan of Action adopted by UNCTAD at its tenth session, UNCTAD assisted small island developing States in their preparations for the World Trade Organization negotiations on agriculture.

50. UNCTAD provided special support to the 10 least developed small island developing States (Cape Verde, the Comoros, Haiti, Kiribati, Maldives, Samoa, Sao Tome and Principe, Solomon Islands, Tuvalu and Vanuatu) in the context of the Third United Nations Conference on the Least Developed Countries.

51. Particular attention was given to small island developing States in a high-level meeting on tourism in the least developed countries (Canary Islands, 26-29 March 2001) jointly organized by UNCTAD and the World Tourism Organization.

52. UNCTAD undertook coordination and substantive backstopping of various technical cooperation activities in the Caribbean (in Haiti and Saint Lucia) and the Pacific (including the Pacific Islands Forum Secretariat and the five least developed countries of the region).

Integrated Framework for Trade-related Technical Assistance to Least Developed Countries

53. In early 2001, the six core agencies of the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries, with the support of the Government of Japan, organized a seminar on mainstreaming trade priorities into least developed countries overall development strategies. The main task in this process involves carrying out country integration studies, which will provide the basis for the identification of needs for trade-related capacity-building in individual least developed countries.

54. For its part, the World Trade Organization Subcommittee on Least Developed Countries adopted the Integrated Framework (IF) Pilot Scheme. The Pilot Scheme will be implemented in countries that have demonstrated a clear choice and commitment to mainstreaming trade integration as part of their overall development strategies as reflected in, for example, Poverty Reduction Strategy Papers (PRSPs) or the United Nations Development Assistance Framework (UNDAF). For the implementation of the new IF arrangements, an Integrated Framework Trust Fund and a Steering Committee comprising donors, least developed countries and core agencies have been established. The resources of the Integrated Framework Trust Fund would be utilized to assist least developed countries in developing an analytical and policy framework for mainstreaming trade into national development strategies. Three countries, namely Cambodia, Madagascar and Mauritania, have currently been selected for the Pilot Scheme; and work is under way in this regard.

Regional integration developments

55. Trade among developing countries has increased during the last two decades. By 1998, about 40 per cent of developing countries merchandise exports were destined to other developing countries, and this figure represented a significant and steady expansion over the levels of 1980 and 1990. By the end of 2000, the World Trade Organization Committee on Regional Trading Agreements (CRTA) was in the process of examining 17 agreements (having completed a factual examination of 62 agreements) and had yet to examine 7 agreements. Currently, there are up to 75 agreements in different stages of negotiation. Both developed and developing countries are participating in this trend, including "mixed" regional trading agreements between developed and developing countries.

56. Many of the new developments are in the Asia Pacific region, an area that has not historically been active in signing regional trading agreements (RTAs). Some proposed RTAs in that region include Singapore and a number of countries including Australia, Japan, Mexico, New Zealand and the United States. The members of ASEAN are exploring possible arrangements with their northern neighbours China, the Republic of Korea and Japan. The most notable development is the negotiations between the Republic of Korea and Japan to form an RTA, since neither of these countries is currently a member of an RTA.

57. At the interregional level, it is expected that the Global System of Trade Preferences among Developing Countries (GSTP) will hold a third round of negotiations which will include the expansion of

product coverage, the margin of preferences, membership and the extension coverage to non-tariff barriers and other trade-related areas.

Africa

58. The General Assembly, in its resolution 55/182, requested the Secretary-General to ensure the initiation by UNCTAD of the preparatory process for the final review and appraisal of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s (Assembly resolution 46/151, annex, sect. II), in the areas falling within its mandate, and, in that context, also requested the Secretary-General to submit a report on measures taken in that regard for the consideration of the Assembly at its fifty-sixth session. In the light of the above request, a report of the Secretary-General was prepared entitled "Measures taken to initiate the preparatory process for the final review and appraisal of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s" (A/56/435), which will be submitted to the Trade and Development Board at its forty-eighth session in October 2001 and to the Assembly at its current session. The report reviews Africa's development in the 1990s and analyses the domestic and external impediments to sustained and rapid growth in Africa. It discusses the problem of commodity dependence of African economies, losses in their terms of trade, and the effects of this on the capacity of African countries to invest in human and physical infrastructure development. It also reviews the process of adjustment in Africa and discusses policy options for enhancing growth and development in Africa, inter alia, through trade, in order that the objectives set forth by the international community of reducing poverty by half by the year 2015 may be met.

59. In addition, as lead agency for the "Trade Access and Opportunities" cluster, UNCTAD organized an inter-agency technical meeting for considering ways and means of implementing at the country and regional levels the "Draft Operational Framework for the Diversification of African Economies" which had been prepared in the light of a request by the Committee for Programme and Coordination (CPC). The outcome of the inter-agency meeting and its recommendations were conveyed to the Economic and Social Council at its substantive session of 2001 held in Geneva in July (see E/2001/CRP.3, paras. 61 and 65). In this connection, it was recommended to the Council that the latter invite the United Nations Development Group (UNDG) and other relevant development institutions to facilitate the application of the Operational Framework at the national level through the UNDAF and/or other appropriate institutional arrangements. The inter-agency technical meeting also noted that the implementation of the Framework could be initiated without delay on a pilot basis in two African countries.

Volatility of short-term capital flows and effects of financial crises on the international trading system

60. Improved measures to address the volatility of short-term capital flows were discussed in some detail in the UNCTAD *Trade and Development Report, 2001*.[25] The report argues that, to date, bail-out operations organized through the multilateral financial institutions along with efforts to promote various codes and standards designed to help strengthen domestic financial systems in debtor countries have been the preferred responses to heightened financial instability. These have not been able to prevent a heavy social cost in countries hit by financial crises, although they have contributed to preventing a protectionist backlash from gripping the policy agenda. However, they do not offer a long-term solution, and a more coherent and coordinated response to financial crises and contagion from the international community is urgently needed. This will require a more equitable sharing of the costs of crises between creditors and debtors, more effective inclusion of the private sector in the management of financial crises, concerted moves towards a more stable exchange-rate system, and more symmetric policy surveillance in IMF.

Debt

61. In response to General Assembly resolution 55/184 entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries", a report of the Secretary-General entitled "The external debt and debt-servicing problems of developing countries, including those resulting from global financial instability" (A/56/262) has been prepared and will be submitted to the Assembly at its current session. The report will include an analysis of the external debt and debt-servicing

problems of developing countries, including, inter alia, those resulting from global financial instability.

Electronic commerce

62. Activities to strengthen the capacities of developing countries to participate effectively in electronic commerce have largely focused on raising the awareness of developing countries with regard to the potential benefits of e-commerce for development and outlining the policies and strategies to be adopted in order to promote e-commerce. In addition to several round tables and regional seminars on e-commerce and development, UNCTAD has also convened expert meetings on capacity-building in the area of e-commerce: legal and regulatory dimensions (Geneva, 14-16 July 1999); and on e-commerce and tourism (Geneva, 18-20 September 2000). E-commerce was also a main agenda item at the fifth session of UNCTAD's Commission on Enterprise, Business Facilitation and Development (22-26 January 2001). These events provided for an extensive exchange of views between a wide range of stakeholders and resulted in the formulation of conclusions and recommendations that provide an important reference for developing countries in formulating their policies and strategies on electronic commerce.[26]

Trade supporting services

63. The UNCTAD secretariat pursued its work on trade supporting services, focusing on technical cooperation activities aimed at assisting the developing countries and countries in transition in attaining greater integration into the world trading system. The main programmes in this context are: the Trade Point Programme (the operational component of UNCTAD's Trade Efficiency Initiative) which aims to increase the competitiveness of disadvantaged players in international trade by helping to reduce their transaction costs; the Automated System for Customs Data (ASYCUDA), operational in over 80 developing countries and transition economies, which is primarily concerned with the technical modernization of customs, including the automation and clearance of goods; the Advance Cargo Information System (ACIS) which seeks to increase the efficiency of transport systems by providing operational and financial information on goods and transport equipment; and multimodal transport and trade facilitation activities which seek to establish a favourable domestic environment for international trade transactions. UNCTAD also seeks the application of human resources development policies for trade-supporting services and the establishment of local training capacity to provide the training and organizational change that such policies require. This is achieved through the Training Human Resources in Maritime Management (TRAINMAR) programme, which is concerned specifically with maritime trade, and (TRAINFORTRADE) which deals more widely with foreign trade issues.[27]

Investment

64. UNCTAD continued to analyse all issues related to investment and their implications for development. *World Investment Report, 2001: Promoting Linkages*,[28] contributed to the current debate on how to maximize the positive effects of foreign direct investment (FDI) through promoting linkages between transnational corporations (TNCs) and local small and medium-sized enterprises (SMEs). UNCTAD will launch a global linkages programme to assist developing countries and countries in transition in creating and deepening linkages between TNCs and domestic firms.

65. Work continued on capacity- and consensus-building in developing countries, inter alia, through organizing training courses for negotiators in international investment agreements (IIAs); facilitating bilateral investment treaty (BIT) negotiations; analysis and publication of issues on IIAs; conducting investment policy reviews, covering to date seven countries, namely, Ecuador, Egypt, Ethiopia, Mauritius, Peru, Uganda, and Uzbekistan (countries in the pipeline are Belarus, Botswana, Chile, Colombia, Ghana, Islamic Republic of Iran, Kenya, Lesotho, Mauritania, Nepal, Pakistan, Senegal and United Republic of Tanzania);[29] preparing investment guides for least developed countries; providing advisory services on investment promotion strategies for least developed countries; and assisting SMEs from least developed countries to upgrade their managerial and technological capacities.

Notes

[1] See World Trade Organization secretariat working paper JOB (01) 118 of 24 July 2001.

[2] See TD/B/COM.1/32, TD/B/COM.1/EM.1212/3, 18 December 2000 (UNCTAD web site: http://www.unctad.org/events and meetings).

[3] See TD/B/COM.1/33, TD/B/COM.1/EM.13/3, 7 December 2000 (UNCTAD web site as above).

[4] See TD/B/COM.1/34, TD/B/COM.1/EM.14/3, 28 December 2000 (UNCTAD web site as above).

[5] See TD/B/COM.1/EM.15/L.1, 26 July 2001; TD/B/COM.1, 11 May 2001 (UNCTAD web site as above).

[6] See TD/B/COM.1/EM.16/L.1, 8 August 2001; TD/B/COM.1/EM.16/2, 18 June 2001 (UNCTAD web site as above).

[7] See TD/B/COM.2/CLP/L.6 and Add.1 (UNCTAD web site as above).

[8] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

[9] Proposal by Cuba, the Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador on "Special and Differential Treatment and a Development Box" (G/AG/NG/W/13).

[10] Under the Agreement on Agriculture, least developed countries receive more enhanced (S&D) than other developing countries.

[11] The World Trade Organization Council for Trade in Services has conducted the mandated reviews of the Annex on Air Transport Services and of the most-favoured-nation (MFN) exemptions. None of these reviews have resulted in the consensus decisions, and the present exclusion of "hard" rights as well as maintaining of the MFN exemptions is likely to continue. Concerning MFN exemptions, *Guidelines and Procedures for the Negotiations on Trade in Services* has reiterated the provisions of the Annex on Article II Exemptions, but also added the flexibility provision for developing countries. The meetings on these issues are expected to continue.

[12] Argentina, Morocco, New Zealand, Norway, Switzerland, Thailand and Uruguay.

[13] See World Trade Organization document G/L/460 to 466 of 7 August 2001.

[14] See World Trade Organization documents G/C/M/49 and 50.

[15] See World Trade Organization document G/C/W/266 of 31 May 2001.

[16] See text of summing up by the Chairman, at the meeting of the Working Party on the Accession of China, 20 July 2001.

[17] See International Textiles and Clothing Bureau document CR/33/BRA/6 of 18 May 2001.

[18] See World Trade Organization document G/SCM/33 of 7 May 2001; Frieder Roessler, "The institutional balance between the judicial and the political organs of the WTO", paper presented at the Conference on Efficiency, Equity and Legitimacy: The Multilateral Trading System at the Millennium, held on 1 and 2 June 2000 at the John F. Kennedy School of Government, Harvard University, Cambridge, Massachusetts; and Chakravarthi Raghavan, The World Trade Organization and its Dispute Settlement System: Tilting the Balance against the South (Penang, Malaysia, Third World Network, 2000).

[19] World Trade Organization document G/ADP/N/series, 2000-2001 (to be provided with reference in detail). See also Global Trade Protection Report, 2000, of April 2001 (Cliff Stevenson, of Rowe and Maw Lawyers for Business).

[20] Global Trade Protection Report, 2000, of April 2001 (Cliff Stevenson, of Rowe and Maw Lawyers for Business). Also UNCTAD document TD/B/COM.1/EM.14/2 of 24 October 2000 (UNCTAD web site).

[21] World Trade Organization document G/SG/N/series, 1995-2001.

[22] See EC Council Regulation 416/2001 of 28 February 2001, *Official Journal* L 60 of 2001.

[23] See *ACP-EEC Courier*, No. 120 (March-April 1990), yellow pages.

[24] *Report of the Global Conference on the Sustainable Development of Small Island Developing States, Bridgetown, Barbados, 25 April-6 May 1994* (United Nations publication, Sales No. E.94.I.18 and corrigenda, chap. I, resolution 1, annex II.

[25] United Nations publication, Sales No. E.01.II.D.10. See also UNCTAD/TDR/(2001) available on UNCTAD's web site at http://www.unctad.org/en/pub.

[26] See the reports that are available on UNCTAD's web site at http://www.unctad.org/en/-events and meetings, in particular TD/B/COM.3/EM.8/L.1; TD/B/COM.3/EN.9/3; TD/B/COM.3/30; and TD/B/COM.3/37.

[27] For more information on the activities of UNCTAD in this area, please see the review of technical cooperation activities of UNCTAD (15 August 2001: TD/B/48/5/Add.1, and TD/B/WP/139/Add.1).

[28] United Nations publication, Sales No. E.01.II.D 12. See also publication WIR/2001 available on the UNCTAD web site: http://www.unctad.org/en/pub.

[29] For further information, please see web site: http://www.unctad.org/en/pub/investpolicy.en.htm.